

AN IMPORTANT MESSAGE FROM THE EXECUTIVE DIRECTOR

In February, I announced to the PERF Board of Trustees that I will be resigning my position as Executive Director at the end of May, 2007.

Two years ago, Governor Mitch Daniels charged me with improving service and restoring the reputation of the fund. I believe we have accomplished this and much more. I have completed my two-year commitment and it is now time for me to move on.



Governor Daniels with David Adams

During the past two years, PERF dramatically enhanced customer service, improved internal operations as demonstrated by the first clean financial opinion since 2002, and created an investment philosophy which has resulted in innovative programs such as the Indiana Investment Fund I. In this time, PERF assets grew by nearly \$4 billion to become the 85th largest pension system in the U.S.

Reputation is not something we define but something that is defined for us by you, the customers we serve. I'm confident that the team I leave behind at PERF is significantly stronger and deeper than when I first arrived. And, I'm certain PERF will remain an organization with a renewed focus on serving our customers.

It has been a tremendous honor for me to have served PERF's customers – members, employers and retirees – as well as this great state of Indiana.

Sincerely,

A handwritten signature of David J. Adams in black ink.

David J. Adams
Executive Director

Welcome New Readers

This is a special new edition of *Member News* tailored exclusively for police officers, firefighters, judges, prosecuting attorneys, state excise police, gaming agents and conservation enforcement officers. We're glad to have you as readers of this new newsletter and we hope you look forward to receiving each quarterly issue.

Funded Status Ranks Ahead of National Averages

Indiana fund achieves 96.8 percent funded status

PERF ranks well ahead of national figures for both public and private pension plans in a key measure of the plan's health.

PERF's funded status of 96.8 percent for all plans in the system showed a 1.5 percent gain as compared with 95.3 percent on July 1, 2005. The funded status for major U.S. company plans was approximately 83 percent while state pension plans were funded at about 87 percent, according to national reports published in 2006.

Funded status is the ratio that measures plan assets, such as invested funds, as compared to liabilities, such as future pension payments.

PERF's favorable funded status is the result of prudent investment management, according to PERF Executive Director David Adams. "Our long-term investment strategy has generated solid returns with responsible risk," he said. "This is good news for those whose retirements depend on PERF, as well as the employers who contribute to the fund."

"A funded status of 80 percent or greater represents a reasonably funded plan," said Douglas Todd with McCready and Keene, actuaries for PERF. "The fact that PERF's combined funded status is 96.8 percent means that the system may be considered to be very well funded," he said.



Q&A

Q. According to my plan, I'm eligible to retire from work, but I'm not really sure if I'm ready. Is there anything else I should consider when thinking about taking this step?

A. Yes. Retirement is a major life change and there are many things you should consider before making this decision. Below is brief quiz that can help you prepare for this important chapter in your life.

- Do you own your home completely? If not, once you retire; will your income be enough to cover your house payments?
- Have you made plans for your family members?
- Have you estimated your total retirement income from all sources? Is that estimate between 60 percent and 80 percent of your current income?
- Have you saved or created a plan to save for major expenses like home repairs, traveling or buying a car during your retirement?
- Do you have a current estimate of what your Social Security benefits will be?
- Do you have money saved for emergencies? If not, do you have a plan to maintain a cash reserve for unexpected expenses?
- Do you have your wills, trusts and powers of attorney set up as you wish?
- Do you already have hobbies and ac-

Quarterly Investment Performance Adds \$917 Million to Fund

December data shows quarterly gain of 5.9 percent

A strong investment performance added \$917 million to the Indiana Public Employees' Retirement Fund (PERF) in the quarter ending Dec. 31, 2006. The performance was included with quarterly scorecard data submitted to PERF's board of trustees at its Feb. 9 meeting.

The gain reflects a 5.9 percent quarterly return in PERF's Consolidated Retirement Investment Fund (CRIF) that exceeded a target return of 5.7 percent. In addition, 82 percent of the fund's active investment managers exceeded performance benchmarks established by PERF.

The scorecard data follows news released in January that PERF's assets grew by approximately \$2 billion in the 12 months ending Dec. 31, 2006.

"Markets have performed well and the majority of our managers have exceeded benchmarks linked to the market," said PERF Executive Director David Adams. "While this represents positive short-term progress, PERF remains focused on prudent long-term investment by managing risk and diversifying our portfolio."

tivities to keep you mentally and physically active once you retire?

If you answered "yes" to most of these questions, you have made preparations for retirement and have a better chance of preserving your current standard of living.

However, if you answered "no" more often than "yes," you might want to consider your retirement date more carefully and begin making financial plans so you will be well-prepared when you do decide to retire.

The Road to Retirement: Age-Based Planning

We all share a common ambition: to enjoy a financially secure retirement. With the average life expectancy 30 years longer today than it was 100 years ago, accumulating an adequate nest egg to sustain a comfortable, but longer retirement has become more challenging. Most of us realize that retirement is something we must actively plan and save toward, but we often do not know where or when to start. Here are some age-based tips to help you on your journey towards a successful retirement.

PLANNING IN YOUR 20s...THE PERFECT TIME TO START

Even if your career is just getting started, it's not too early to begin planning for retirement. The two most important financial tasks in your twenties are to begin your career and start saving. Though saving may be difficult with rent, car payments, student loans and other expenses, remember that even the smallest amount saved this early will have time to compound and grow over the years.

- Maximize the power of time and start saving now. Aim to save at least 10 percent of your income in savings instruments that have earning power. If 10 percent is out of reach, start small and commit to increasing this percentage as your financial situation improves.
- Consider investing in an IRA to supplement plans you have through your employer. Do not count on a pension and Social Security alone.
- Pay off student loans and other debts, especially credit card debt.
- Resist the temptation to cash out your savings. This money has the ability to grow, which gives you the power of compounding. Compounding is the ability of an asset to generate earnings that are then reinvested and generate their own earnings. Basically, it's making interest on interest.

PERF Has a New Look

Look for a new logo and colors to be used on PERF materials in the coming months as we emphasize our energetic commitment to customer service for our members, employers and retirees. The new logo incorporates the funds full name and introduces bright new colors reflective of the fund's stability and dynamic focus on customer service.



Fund Ranks Among Top Pension Systems

The Indiana Public Employees' Retirement Fund (PERF) ranks among the largest retirement plans in the nation, according to data published recently by *Pensions & Investments*, a leading international trade journal.

Based on September 2006 assets of more than \$15 billion, the publication ranked PERF at 85 among the nation's 1,000 largest pension funds and sponsors. In the rankings, PERF was listed ahead of plans such as Caterpillar, General Dynamics and Pfizer.

The plan rankings were published in the Jan. 22 edition of *Pensions & Investments*. In 2005, the publication ranked PERF as the nation's 90th largest pension plan with assets of nearly \$13 billion.

As of December 2006, PERF had \$16.1 billion in assets under management, reflecting a 12-month growth of approximately \$2 billion, or 13.7 percent. During the year, PERF's funded status climbed to 96.8 percent, well ahead of national figures for both public and private pension plans.

"PERF's national ranking serves as a reminder of our responsibility," said PERF Executive Director David Adams. "This listing reminds us that we're here to be prudent managers of PERF's assets. We're committed to maintaining a strong and healthy retirement plan for our members, employers and Indiana taxpayers."



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Thinking about Retirement: The Application Process

What members must do:

- Complete a retirement application and submit it no later than six months before your retirement date.
- With your application, be sure to include all supporting documentation, such as birth certificates.

What employers must do:

- Authorize PERF to make benefit payments based on how long an employee has worked and what wages were paid.
- Be current with employer contributions, which pay for the monthly pensions promised to eligible plan members.
- Send PERF a report identifying the last day you worked and the final wages paid. Authorize your last day (some future date) of employment so we can establish eligibility.

What PERF does:

- Check each application for required information and signatures.
- Get the information necessary from all employers to calculate the retirement benefit.
- Check our financial records to verify that all employer and employee records are accurate.
- Calculate the correct amount of the payment that will be sent each month based on the member's records, the calculation formula established by law.
- Audit the calculation to verify its accuracy.
- Process the benefit for direct deposit each month.

Questions? Please call us, toll-free, at (888) 526-1687 or visit www.perf.in.gov.

Dates to Remember



If Retirement Date Is:	Application Deadline Is:
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Oct. 1, 2007	Apr. 1, 2007
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Nov. 1, 2007	May 1, 2007
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Dec. 1, 2007	Jun. 1, 2007
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Jan. 1, 2008	Jul. 1, 2007
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Feb. 1, 2008	Aug. 1, 2007
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